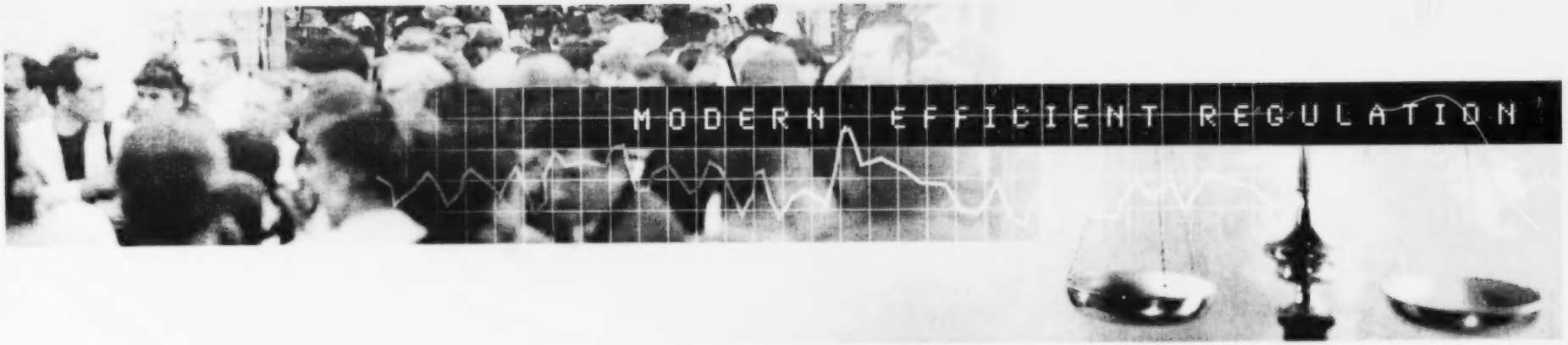
ANNUAL REPORT 2002-2003

Régie de l'énergie



Québec

Michel Bissonnet

President of the National Assembly

Parliament Building, Québec City

Mr. President,

I am pleased to table the following report on the activities of the Régie de l'énergie for the year 2002-2003.

Sincerely yours,

Sam Hamad

SAM HAMAD
Minister of Natural Resources, Wildlife and Parks
Québec City, June, 2003

Sam Hamad

Minister of Natural Resources, Wildlife and Parks

Mr. Minister,

I have the pleasure of sending you the present report on the activities of the Régie de l'énergie for the year 2002-2003.

Sincerely yours,

Lise Lambert

LISE LAMBERT
Chairman
Montréal, June, 2003

OUR MISSION

THE RÉGIE DE L'ÉNERGIE IS AN ECONOMIC REGULATION AGENCY. ITS MISSION IS TO RECONCILE THE PUBLIC INTEREST, CONSUMER PROTECTION AND THE FAIR TREATMENT OF THE ELECTRICITY CARRIER AND THE DISTRIBUTORS. THE RÉGIE STRIVES TO ENSURE THAT ENERGY NEEDS ARE SATISFIED WHILE PROMOTING SUSTAINABLE DEVELOPMENT AS WELL AS INDIVIDUAL AND COLLECTIVE EQUITY.

To this end, the Régie fixes and modifies the rates and conditions for the transmission of electric power by the electricity carrier, the distribution of electric power by the electricity distributor, and the supply, transmission, delivery and storage of natural gas by the natural gas distributors. In fixing and modifying rates, the Régie favours the use of incentives to improve the performance of the electricity carrier, the electricity distributor and the natural gas distributors, and to promote the satisfaction of consumer needs.

The Régie examines consumer complaints about decisions rendered by the electricity carrier, the electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service.

The Régie also monitors the prices of petroleum products and steam.

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THE CHAIRMAN
MS LISE LAMBERT

106-02069/

The past year saw a number of events that had a powerful impact on the energy industry. The war in Iraq and the paralysis of the oil industry in Venezuela exerted upward pressure on energy prices. Meanwhile, the harsh winter in the Northern Hemisphere resulted in significant increases in energy consumption.

During the period of April 1, 2002 to March 31, 2003, the world price of Brent crude oil peaked at US$34.70, and fluctuated between US$23.20 and US$34.70.

The price of natural gas, which is determined by commodity transactions at the continental level, rose significantly in the US and Canada over the past year. In January 2003, the monthly price at the Alberta border was $6.28/GJ, compared with $3.69/GJ in January 2002. Over the course of the year, natural gas prices were very volatile.

The wholesale price of electricity, which is more subject to regional variations, averaged 8.4¢/kWh on the New England free market over the past year ($ Canadian), compared with 7¢/kWh in the previous year.

World energy prices are expected to remain high due to the unpredictable international geopolitical situation, low oil and gas reserves in many markets and, in the case of natural gas in Canada, concern over whether Western Canada Sedimentary Basin marketable reserves can support continued production at current levels.

In Québec, economic conditions were favourable during the year. The surging economy, combined with the cold winter, drove up energy consumption. All indications are that the economy will remain strong for the immediate future, spurring continued growth in Québec's energy needs, particularly electric power.

While Québec remained shielded from electricity price shocks, primarily as a result of past choices, production above and beyond the heritage electricity pool will be subject to market prices, as is the case with supplies of natural gas and petroleum products.

Energy regulation must therefore deal with an increasingly open and continental marketplace and must adapt accordingly. Regulation must also take the concerns of consumers, regulated companies and stakeholders into account. Finally, rules need to be harmonized to facilitate trade with neighbouring jurisdictions.

REGULATORY ENVIRONMENT The appropriateness of energy regulation and the desirable degree of regulation are currently subjects of intense debate; proponents of regulation and supporters of deregulation are locking horns on all continents.

One thing is clear: in an environment where markets are dominated by natural monopolies, regulation is necessary to maintain a fair balance between the interests of consumers, suppliers, and the public interest.

The real issue is how to ensure that the regulatory framework is effective, stable and predictable, yields measurable results, and meets broader objectives decided by society.

ONE THING IS CLEAR: IN AN ENVIRONMENT WHERE MARKETS ARE DOMINATED BY NATURAL MONOPOLIES, REGULATION IS NECESSARY TO MAINTAIN A FAIR BALANCE BETWEEN THE INTERESTS OF CONSUMERS, SUPPLIERS, AND THE PUBLIC INTEREST.

To this end, the Régie seeks to foster improved performance and innovation by regulated firms. It supports incentive-based regulation and is working to streamline procedures, reduce regulatory time frames and optimize the use of funds, all of which will ultimately benefit consumers, energy firms and the public interest.

REVIEW OF THE YEAR The past year has been the busiest in the Régie's history in terms of applications filed, days of hearings held, and decisions handed down.

Activities related to natural gas and petroleum products continued at the same pace as in years past, but the demands on the Régie in the sphere of electricity regulation increased, mainly because the regulatory framework had become fully operational.

The Régie's activities over the last year are described in detail in the other sections of this Annual Report.

OUTLOOK FOR 2003-2004 During the coming year, the Régie will have a number of important cases to deal with in each of the areas under its jurisdiction.

In electric power, the Régie will complete its study of Hydro-Québec's rate application for its distribution operations and set electrical power rates for all Québec consumers as of May 1, 2004. The Régie will also be called upon to rule on Hydro-Québec's application to introduce energy efficiency measures, and to approve Hydro-Québec's planned investments in transmission and distribution assets.

The Régie will review the cost allocation method for electricity transmission operations and expects to set new transmission rates.

Finally, the Régie will report on the application of the various tender solicitation and contract awarding procedures, and approve any supply contracts submitted by the Distributor for the purpose of meeting new electricity needs beyond the heritage electricity pool of 165 TWh.

With respect to natural gas, the Régie will set the distributors' rates and intends to review the terms and conditions of service. It will approve the distributors' capital expenditures and assess the incentive-based mechanism introduced in the year 2000 for Gaz Métropolitain and Company, Limited Partnership.

With respect to petroleum products, the Régie will determine an amount per litre representing gasoline station operating expenses, which in accordance with the Act will apply for a three-year period, i.e. until July 2006.

Aside from these regulatory activities per se, the Régie will continue its drive to enhance its procedures. It will therefore pursue its efforts to streamline regulatory processes by means of preparatory meetings, negotiated agreement processes and, in the case of complaints from consumers of natural gas and electricity, mediation.

The Régie also intends to amend its Rules of Procedure, which govern all its work, and to implement its new Intervenor Costs Payment Guide, following a review begun in early 2003.

In view of the need for ongoing dialogue with its clients, the Régie will continue holding annual meetings with regulated firms for the purpose of effective planning.

ECONOMIC REGULATION ENTAILS MAJOR CHALLENGES

THE RÉGIE STRIVES TO MAKE INFORMED AND TIMELY DECISIONS, AND

TO ADOPT THE MOST EFFECTIVE REGULATORY APPROACHES

Communications are vital for the accomplishment of our mission. The Régie will continue publicizing its role and its actions by regularly updating its Web site and other means. The Web site and the companion CD-ROM to this Annual Report demonstrate our commitment to transparency and to the effective dissemination of regulatory news.

It would not be possible to accomplish this work without the ongoing participation of stakeholders and the regulated firms. The Régie makes its decisions on the basis of the evidence submitted for its consideration. The involvement of the companies and stakeholders is therefore critical in order to provide us with full information at the outset of the application review process. Effective regulation requires contributions from many groups and associations. The expression of diverse points of view helps produce decisions that reflect the full range of outlooks.

Economic regulation entails major challenges. The Régie strives to make informed and timely decisions, and to adopt the most effective regulatory approaches. For this purpose, we are preparing to introduce measurable performance indicators. We expect to be able to report initial results in our next Annual Report.

The Régie is committed to staying at the forefront of modern regulatory bodies in the pursuit of its mission: meeting consumer needs, enhancing corporate performance, defending the public interest and promoting sustainable development.

In view of the growing volume of trade in energy and the need to share regulatory best practices, the Régie will maintain its contacts with its Canadian and US counterparts through forums such as the Canadian Association of Members of Public Utility Tribunals (CAMPUT).

The Régie de l'énergie has now been in existence for six years. I would be remiss were I to fail to mention the exceptional contribution made by my predecessor, Jean A. Guérin, during his tenure at the helm of the Régie for its first five years. I would also like to note the arrival in 2002 of a new Vice-Chairman and Commissioner, Normand Bergeron, as well as two new Commissioners, Francine Roy and Benoît Pepin.

I am very proud of the work done this year by our team of commissioners and all our staff. Not only are our people competent and dedicated, they have an exceptional sense of civic spirit: for the fifth year in a row, the Régie's staff received a Platinum award in recognition of their support for the United Way / Centraide fundraising drive.

I am confident that the Régie will achieve its objectives in the coming year.

Lise Lambert

LISE LAMBERT
Chairman
June 2003

The Régie works to provide a forward-looking regulation and monitoring service of the highest calibre. Active participation by a wide range of stakeholders helps the Régie make informed decisions which ensure that energy needs are satisfied while promoting sustainable development and respecting principles of individual and collective equity.

During the past year, the Régie received 27 applications; it held 81 days of hearings and 5 days of technical meetings.

The Régie handed down 290 decisions during 2002-2003.

THE RÉGIE IS IN DAILY CONTACT WITH CONSUMERS

The Régie responded to nearly 4,500 enquiries from consumers during the year. Its Web site receives thousands of visits every month and there are over 300 subscribers to its weekly e-mail news service. The Régie also answered nearly 500 calls from the media on a variety of issues.

These activities accomplish the Régie's mandate of informing electricity and natural gas consumers of the distributors' complaint procedures and informing the public of petroleum product prices.

1,990 Enquiries about the distributors' consumer complaints processes

2,474 Enquiries about petroleum product prices

SUMMARY OF ACTIVITIES 2002-2003

Applications	27
Consumer complaints	143
Days of hearings • 32 on complaints • 49 on applications	81
Technical meetings	5
Preparatory meetings	6
Briefing sessions	1
Decisions • 163 on complaints • 127 on applications	290

WITH THE COMING INTO FORCE OF CERTAIN REGULATORY PROVISIONS, THE RÉGIE BEGAN EXERCISING ITS FULL REGULATORY AUTHORITY. AS A RESULT, MANY OF THE ELECTRICITY RELATED CASES THE RÉGIE CONSIDERED DURING THE YEAR BROKE NEW GROUND.

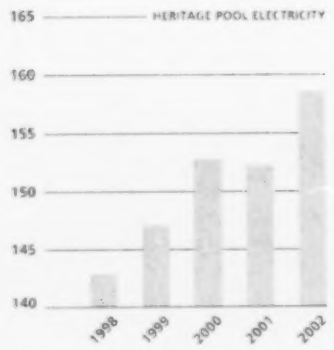
ELECTRICITY TRANSMISSION

The Régie fixed Hydro-Québec's transmission rates as of January 1, 2001. It also considered operating and technical standards for Hydro-Québec's transmission system, including reliability standards.

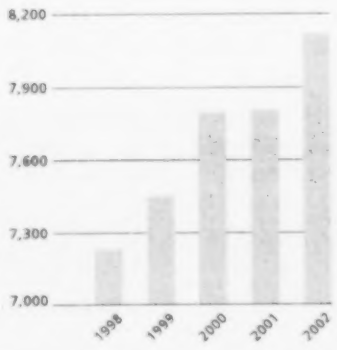
The Régie completed its review of applications for authorization to acquire assets for electricity transmission during the year 2003. It also began studying an application for authorization to construct a transmission line to connect the Toulnustouc power plant to the grid.

Finally, the Régie issued a ruling on the information Hydro-Québec, as a power carrier, must provide every year under paragraph 75(5) of the *Act respecting the Régie de l'énergie*.

ELECTRICITY SALES IN QUÉBEC
TWH



ELECTRICITY SALES IN QUÉBEC
$M



SOURCE: HYDRO-QUÉBEC, *ANNUAL REPORT 2002*

ELECTRICITY DISTRIBUTION

The Régie approved the consolidated text of Bylaw 634 respecting the conditions governing the supply of electricity. The amended text, which came into force on February 15, 2003, clarifies the rights and obligations of the Distributor and its 3.5 million customers.

The Régie completed its review of applications for authorization to acquire assets for electricity distribution during the year 2003. It also approved a number of projects including the "Client Information System", as well as tariffs, including rates for the energy consumption analysis tool Visilec.

The Régie approved the Distributor's 2002-2011 supply plan, which among other things calls for tender solicitations for 1200 MW and 400 MW of entirely dispatchable power. In accordance with the Act, the Régie monitors the solicitations. The Régie also approved the allocation of the cost of heritage pool electricity for the years 2001 and 2002.

The Régie held hearings in Phase 1 of its review of the Distributor's application for rates to take effect on May 1, 2004. Cost of service, cost allocation and rate structure are being examined. The Régie is also continuing the approval process for the Distributor's proposed energy efficiency measures.

The Régie denied an application to repeal the commercial, institutional and industrial dual-energy rate (Rate BT) and ruled on an application for exemption from the tender solicitation requirement for the electricity supplied under this rate. It also approved amendments to the General Rates for Large Power (Rate H) and to the Backup Energy Rate (Rate LD).

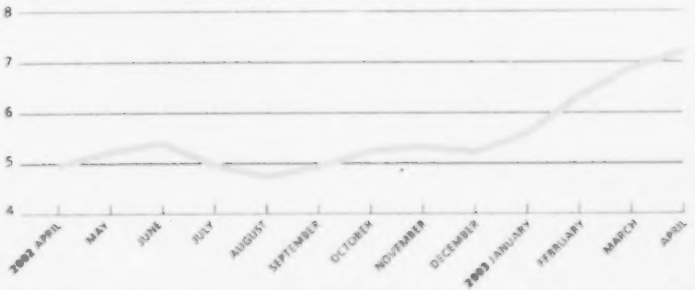
Finally, the Régie ruled on the information Hydro-Québec, as a power distributor, must provide every year in accordance with paragraph 75(5) of the *Act respecting the Régie de l'énergie*.

The Régie monitors petroleum product prices and publishes the results weekly in its *Bulletin d'information sur les prix des produits pétroliers au Québec*. It responded to more than 2,500 enquiries from the public and the media on this subject during the past year.

The Régie decided to include gas station operating costs in the estimated minimum price for the town of Saint-Jérôme for a 10-month period ending in February 2003.

The Régie began the process of determining an amount per litre, as of July 2003, representing the operating costs borne by a retailer of gasoline or diesel fuel. The Act provides for this process to be conducted every three years.

MONTHLY EVOLUTION OF SYSTEM GAS PRICE — GMCPL
$/GJ



SOURCE: GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP

Increasingly concerned about the price volatility of petroleum products, mainly transport and heat, consumers sought reliable, comprehensive information on price movements.

Since sections 55 through 58 of the *Act respecting the Régie de l'énergie* came into effect on November 1, 1997, the Régie has been monitoring and compiling petroleum product prices in Québec's 17 administrative regions and informing interested parties by telephone, over the Internet and in print. It also calculates, on a weekly basis, the estimated minimum price of gasoline and diesel fuel, based on the wholesale price at the loading ramp in Montréal.

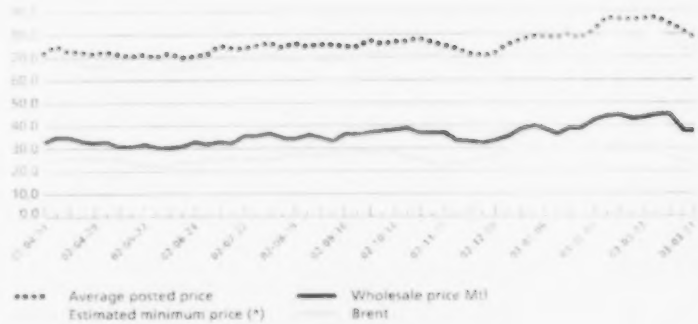
The Régie's *Bulletin d'information sur les prix des produits pétroliers au Québec*, a report on petroleum product prices posted weekly on the Régie's Web site, has become the standard reference on the subject in Québec. The Régie also responds to daily calls from consumers, the industry and the media.

OVERVIEW OF PRICES DURING THE LAST FISCAL YEAR

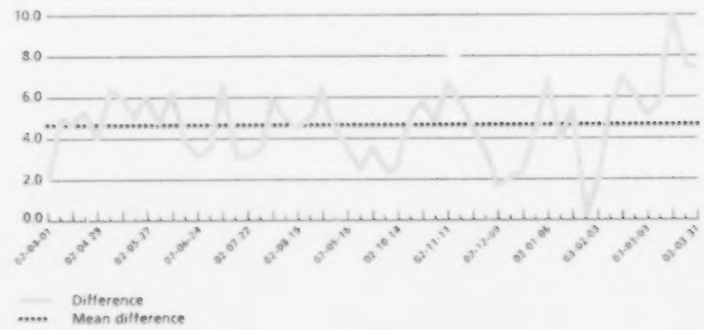
RETAIL PRICE OF REGULAR GASOLINE From April 1, 2002 to March 31, 2003, the weighted average price of regular gasoline at the pump for Québec as a whole was 76.0¢/litre, compared with 71.0¢/litre during the previous year, a 5.0¢ increase. Prices fluctuated widely during the period.

- Low weighted price:
  69,8 ¢/LITRE (week of June 3, 2002)
- Peak weighted price:
  87,1 ¢/LITRE (week of March 10, 2003)

WEIGHTED PRICE OF REGULAR GASOLINE
FOR QUÉBEC AS A WHOLE
¢/litre



DIFFERENCE BETWEEN WEIGHTED PRICE AT THE PUMP AND ESTIMATED MINIMUM PRICE* OF REGULAR GASOLINE — QUÉBEC
¢/litre



* Estimated minimum price = estimated wholesale price + average minimum transportation + taxes

SOURCE : RÉGIE DE L'ÉNERGIE

MINIMUM PRICE AT THE LOADING RAMP During the year, the average weekly minimum price at the loading ramp in Montreal (the reference point) moved in tandem with the price at the pump.

Low price at the loading ramp:
30,2 ¢/LITRE (week of June 3, 2002)
Peak price at the loading ramp:
44,5 ¢/LITRE (week of March 17, 2003)

ESTIMATED MINIMUM PRICE The price fluctuations at the loading ramp were reflected in the estimated minimum price, which is composed of the minimum price at the ramp, average minimum transport costs, and applicable taxes.

Low minimum price:
64,1 ¢/LITRE (week of June 3, 2002)
Peak minimum price:
80,6 ¢/LITRE (week of March 17, 2003)

The average pre-tax spread between the weighted retail price and the estimated minimum price of regular gasoline was 4.7¢/litre, compared with 5.8¢/litre during 2001-2002.

HEATING OIL The price of light fuel oil also fluctuated widely in comparison with the previous season (see 2001). The weighted average price for Québec as a whole was 49.3¢/litre, compared with 41.2¢/litre in 2001-2002.

Low weighted price:
40,1 ¢/LITRE (week of April 1, 2002)
Peak weighted price:
66,4 ¢/LITRE (week of March 10, 2003)

DIESEL FUEL The weighted average price of diesel fuel was 73.9¢/litre in 2002-2003, a 3.9¢/litre increase from the previous year and a 12.2¢/litre increase from 2000-2001.

Low weighted price:
66,9 ¢/LITRE (week of June 17, 2002)
Peak weighted price:
94,9 ¢/LITRE (week of March 10, 2003)

TOTAL QUÉBEC SALES BY VOLUME, PER PRODUCT

Millions of litres	1994	1995	1996	1997	1998	1999	2000	2001	Changes % 2001 vs 2000
Motor gasoline	7531.2	7566.9	7696.9	7706.6	7899.3	8041.4	7984.9	8070.5	1.1
Stove oil kerosene	196.4	220.4	193.8	181.9	204.5	291.8	234.7	160.1	(31.8)
Diesel fuel oil	3267.4	3368.2	3285.7	3540.5	3715.9	3877.1	3795.4	3482.3	(8.2)
Light fuel oil	1960.3	1887.7	2060.6	1900.6	1646.9	1583.2	1754.9	1734.1	(1.2)
Heavy fuel oil	1698.2	1511.2	1772.0	1450.0	1740.0	1555.0	1639.4	1938.6	18.3
Coke	100.8	151.5	170.4	129.6	126.1	127.5	107.6	97.4	(9.5)
Aviation gasoline	11.2	21.2	18.7	17.1	17.3	16.8	19.8	19.7	(0.5)
AV-turbo fuel	869.2	839.6	902.1	774.0	788.4	829.1	865.6	923.9	6.7
Total	**15634.7**	**15566.7**	**16100.2**	**15700.3**	**16138.4**	**16321.9**	**16402.3**	**16426.6**	**0.1**

SOURCES: STATISTICS CANADA AND RÉGIE DE L'ÉNERGIE

TRANSMISSION

- Application concerning the determination of Hydro-Québec's cost of service, as a power carrier, and changes to its transmission rates
- Study of the Carrier's cost allocation
- Approval of the Carrier's code of conduct
- Applications for approval of capital expenditures for transmission assets

DISTRIBUTION

- Application concerning the determination of Hydro-Québec's cost of service, as a power distributor, changes to its distribution rates as of May 1, 2004
- Applications for approval of capital expenditures for distribution assets
- Addition by the Distributor of certain terms and conditions to the tender solicitation procedure and of an evaluation scale for proposals submitted in response to solicitations published pursuant to the Regulation respecting wind energy and biomass energy (Order in Council 352-2003)
- Application for implementation of energy efficiency measures by the Distributor
- Application by the Distributor concerning approval of supply contracts following its first tender solicitation
- Monitoring of the Distributor's tender solicitations, including those for wind energy and biomass energy

ADMINISTRATIVE FOLLOW-UP

- Annual reports from the electric power Carrier and Distributor
- Progress report on Distributor's supply plan
- Compliance check of Carrier's Open-Access Same Time Information System (OASIS) site

GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP (GMCLP)

- Application to amend rates as of October 1, 2003
- Application for pre-renewal assessment of GMCLP's performance-improvement incentive mechanism
- Application for creation of working group for the review of GMCLP's rate structure in order to promote energy efficiency
- Annual approval of capital expenditures
- Approval of supply plan

GAZIFÈRE INC.

- Application to amend rates as of October 1, 2003
- Review of incentive-based mechanism
- Annual approval of capital expenditures
- Approval of supply plan

ADMINISTRATIVE FOLLOW-UP

- Monthly adjustment of price GMCLP charges system gas customers for gas supply service
- Approval of rate adjustments made during the year as a result of decisions by other competent authorities concerning GMCLP and Gazifère Inc.

- Determination of an amount per litre representing the operating costs borne by a retailer of gasoline or diesel fuel
- Monitoring of petroleum product prices

THE COMPLAINT PROCESS

THE PROCEDURE

For each distributor, the Régie has approved a specific procedure for handling consumer complaints about the application of the rates or conditions of service (Decision D-98-25).

In general terms, the procedure is as follows:

1. Consumer complaints concerning the application of the rates or conditions of service must first be filed with the distributor's customer service department, which can be contacted at the number or address that appears on the invoice.

2. If the consumer is dissatisfied with the response, he or she can file a written complaint with the distributor. The distributor then has 60 days to provide a written decision on the complaint.

3. If the consumer is still dissatisfied with the distributor's decision, he or she can ask the Régie to review the matter by filing a written complaint outlining the reasons for his or her dissatisfaction within 30 days of the distributor's decision. The complaint should be addressed to the Régie's Secretariat and accompanied by the distributor's decision and a cheque or money order for $30 made out to the Régie de l'énergie.

4. Failing an agreement between the distributor and the consumer, the Régie examines the complaint on the basis of the evidence in the file. It may also decide to hold a hearing, either at its own initiative or in response to a request from the complainant or the distributor.

THE RÉGIE DE L'ÉNERGIE'S JURISDICTION

The Régie de l'énergie has a quasi-judicial decision-making power to:

- examine any complaint filed by a consumer concerning the application of a rate or a condition governing the supply or transmission of electric power by an electric power distributor;
- examine any complaint filed by a consumer concerning the application of a rate or a condition governing the transmission, supply or storage of natural gas by a natural gas distributor;
- see to it that consumers are charged the applicable rates and are subject to the applicable conditions (section 31(4) of the *Act respecting the Régie de l'énergie*).

Under current legislation and regulations, the Régie de l'énergie has no jurisdiction to deal with complaints in some areas, including:

- monetary sanctions applicable in cases of theft of energy (see Decisions D-98-167 and D-2000-13);
- the terms of payment of a debt owed to a distributor (see Decision D-98-26 and others);
- claims for damages against a distributor (see Decision D-98-140 and others);
- applications that are not complaints from a customer of the distributor (see Decision D-98-70 and others).

ADDITIONAL INFORMATION

For more information on the complaints procedure for a specific distributor, consumers can call the Régie's complaints information line:

(514) 873-5050 Montréal area
(418) 646-0970 Québec City area
1 888 873-2452 outside Montréal and Québec City

SUPPLY			Free market
TRANSMISSION	Cost of service	National Energy Board (federal)	Other jurisdictions
DISTRIBUTION	Cost of service	Incentive based mechanisms	Operating costs and expediency of inclusion
COMPLAINTS			No authority

ROLE AND POWERS

THE RÉGIE DE L'ÉNERGIE IS A MULTI-FUNCTIONAL ECONOMIC REGULATION AGENCY WITH ADMINISTRATIVE AND QUASI-JUDICIAL FUNCTIONS. The role of the Régie de l'énergie is to regulate monopolies in electricity transmission, electricity distribution and natural gas distribution. It also monitors non-monopoly markets to ensure that the free market system benefits consumers, while permitting healthy competition between market players.

The Régie has authority to fix the rates and conditions for the transmission and distribution of electric power and the supply, transmission, delivery and storage of natural gas, after holding public hearings.

It also monitors the operations of electricity and natural gas distributors to ascertain that consumers are adequately supplied, and monitors the operations of the electricity carrier, the electricity distributors and the natural gas distributors to ascertain that consumers are charged fair and reasonable rates. It approves the electricity and natural gas distributors' supply plans and commercial programs. The Régie also approves investment projects, the construction of immovables or the acquisition of assets intended for the transmission or distribution of electric power or the distribution of natural gas. It approves the electricity carrier's operating and technical standards, including transmission network reliability standards. The Régie monitors application of the tender solicitation and contract awarding procedure and code of ethics for the electricity distributor's supply contracts. The resulting supply contracts are submitted to the Régie for approval.

The *Act respecting the Régie de l'énergie* gives Hydro-Québec the exclusive right to distribute electricity throughout the territory of Québec, excluding the territories served by a distributor operating a municipal, cooperative or private electric power system. Municipal systems also have exclusive distribution rights within the territories they serve.

The Régie has sole authority to examine consumer complaints about a decision rendered by the electricity carrier, an electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service. The carrier and distributors are required to apply an internal complaint examination procedure approved by the Régie.

The Régie also has the power to monitor petroleum product prices and can provide consumers with information in this regard.

With respect to gasoline and diesel fuel, the Régie has the authority to determine, every three years, an amount per litre representing the operating costs borne by a gasoline or diesel fuel retailer, and to assess the expediency of excluding the amount from or including the amount in the operating costs borne by a retailer.

TEAM

CHAIRMAN

VICE-CHAIRMAN

COMMISSIONERS

EXECUTIVE ASSISTANT TO THE CHAIRMAN

SECRETARIAT
- COMMUNICATIONS SERVICE
- OFFICE OF THE CLERK
- COMPLAINTS SERVICE

ADMINISTRATIVE SERVICES

PLANNING AND REGULATION DEPARTMENT
- TECHNICAL AND ENVIRONMENTAL ANALYSIS DIRECTORATE
- ECONOMIC ANALYSIS RATES AND FINANCING DIRECTORATE

LEGAL SERVICES

The Chairman of the Régie assigns and coordinates the work of the commissioners. She is responsible for the Régie's administration and directs its staff. She launches appropriate investigations and inspections under the Act. The Chairman also sits as a commissioner. She is assisted by an Executive Assistant and a support team.

The Management Committee consists of eight managers: the Chairman of the Régie, the Vice-Chairman, the Secretary, the Executive Director, the Director of Legal Services, the Director of Administrative Services, the Communications Director, and the Executive Assistant to the Chairman. The Committee discusses the Régie's administrative affairs, including the allocation of resources to various operations. The Committee also monitors administrative and financial matters.

The Committee of Commissioners, composed of all the commissioners, meets to discuss the Régie's general directions and to coordinate the regulatory agenda.

The Régie de l'énergie is composed of seven permanent commissioners and two supernumerary commissioners. A team of 70 managers, professionals and support staff provides the commissioners with analysis, legal opinions and follow-up on files. The Régie de l'énergie is an independent agency funded by duties and fees paid on a user-pay basis by the regulated distributors. Its expenses for the last fiscal year totalled an estimated $7,913,091.

The Régie has a streamlined structure composed of the Chairman's Office and four departments. The majority of the Régie's employees work at the head office in Montréal, where most activities and hearings take place. The Régie also has an office in Québec City to serve clients in the Québec City area and Eastern Québec.

AS A PUBLIC AGENCY, THE RÉGIE DE L'ÉNERGIE IS REQUIRED TO COMPLY WITH A NUMBER OF ACTS AND REGULATIONS, INCLUDING THOSE THAT RELATE TO ETHICS. THE ACT RESPECTING THE MINISTÈRE DU CONSEIL EXÉCUTIF STIPULATES THAT THE RÉGIE'S CODE OF ETHICS AND PROFESSIONAL CONDUCT, ADOPTED PURSUANT TO THE REGULATION RESPECTING THE ETHICS AND PROFESSIONAL CONDUCT OF PUBLIC OFFICE HOLDERS (G.O. II, 6635), IS TO BE PUBLISHED IN ITS ANNUAL REPORT.

Commissioners shall at all times conduct themselves with dignity and abstain from any statement or action that [illegible] the performance of their mandate, commissioners shall promote the satisfaction of Quebec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also have regard to the public interest, consumer protection and equitable treatment of distributors.

Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie.

Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a vulnerable position.

Commissioners shall set aside their personal political opinions so as to perform their duties with due objectivity. Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters.

Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour. Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position.

Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest.

Commissioners shall recuse themselves from any deliberations in which [illegible] with the application under consideration [illegible] any situation which he or she deems to be problematic to the attention of the Chairman of the Régie.

Commissioners shall swear an oath of confidentiality upon entering [illegible] duties. Commissioners shall abstain from making any comment or taking any [illegible] whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie. Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the performance of their duties and may not use them for personal ends.

At hearings and in examining applications, commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are admissible and relevant. At hearings, commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present.

Each commissioner shall provide his or her colleagues with appropriate support, while respecting the areas of competence of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment.

Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work.

Commissioners shall render written, reasoned decisions, effectively and diligently, in plain language.

Upon entering upon their duties, commissioners shall take the following oath: "I, . . , commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly, to the best of my ability and knowledge."

GOVERNMENT ACTION PLAN ON THE PROTECTION OF PERSONAL INFORMATION

An internal committee of the Régie de l'énergie, established pursuant to the Government Action Plan on the Protection of Personal Information, in accordance with the instructions received from the Assistant General Secretary of the Conseil exécutif responsible for this matter, continued its work during 2002-2003.

THE WORK OF THE RÉGIE DE L'ÉNERGIE IS SUPPORTED BY THE PARTICIPATION OF INTERESTED PERSONS AND RECOGNIZED INTERVENORS REPRESENTING DIFFERENT CATEGORIES OF CONSUMERS, ENVIRONMENTAL GROUPS AND ENERGY-RELATED BUSINESSES. THE INTERVENORS ARE GENERALLY ASSISTED BY ATTORNEYS AND SUPPORTED BY THE WORK OF EXPERTS AND ANALYSTS.

The Régie may order the electricity carrier or any distributor to pay, in whole or in part, the costs (including expert witness fees) of any person whose participation the Régie considers useful to its deliberations. When the public interest warrants, the Régie may pay such costs for groups formed for the purpose of participating in its public hearings.

The amount of the costs is determined in accordance with the Rules of Procedure and the Intervenor Costs Payment Guide, adopted by the Régie in July 1999 following a generic hearing on the issue. In 2002-2003, the Régie approved the payment of nearly $3.5 million in intervenor costs.

Electricity	$2,927,792
Natural gas	$ 440,796
Petroleum products	$ 121,539
Total	**$3,490,127**

Association canadienne d'énergie éolienne
Association coopérative d'économie familiale de l'Outaouais
Association coopérative d'économie familiale de Québec
Association de climatologie du Québec
Association de l'industrie électrique du Québec
Association des consommateurs d'affaires à moyen débit de gaz naturel et de petite et moyenne puissance en électricité du Québec
Association des consommateurs industriels de gaz
Association des gestionnaires de parcs immobiliers en milieu institutionnel
Association des industries forestières du Québec
Association des manufacturiers de bois de sciage du Québec
Association des redistributeurs d'électricité du Québec
Association des services de l'automobile du Québec
Association québécoise de lutte contre la pollution atmosphérique
Association québécoise des consommateurs industriels d'électricité
Association québécoise des indépendants du pétrole
CAA-Québec
Centre d'études réglementaires du Québec
Compagnie Pétrolière Impériale Ltée
Costco Wholesale Canada Ltd
Énergie Nouveau-Brunswick
Fédération canadienne de l'entreprise indépendante
Fédération des Associations Coopératives d'Économie Familiale
Fédération des commissions scolaires du Québec
Fernand Dufresne Inc.
Gazifère Inc.
Gazoduc TransQuébec & Maritimes Inc.
Grand Conseil des Cris (Eeyou Istchee)
Groupe de recherche appliquée en macroécologie
Groupe STOP
Hydro-Québec
Hydro Serre Mirabel Inc.
Independent Electricity Market Operator
Institut canadien des produits pétroliers
Intergaz
Les Pétroles Irving Inc.
Les Serres du Saint-Laurent Inc.
Les Serres Nouvelles Cultures Inc.
Les Serres Sagami (2000) Inc.
Mouvement au courant
Négawatts Production Inc.
New York Power Authority
Ontario Power Generation
Option Consommateurs
Pétro-Canada
PG&E National Energy Group Inc.
Régie régionale de la santé et des services sociaux de Montréal-Centre
Regroupement des comités logement et associations de locataires du Québec
Regroupement des organismes environnementaux en énergie
Regroupement national des Conseils régionaux de l'environnement du Québec
Séchoirs Arbec Inc.
Shell Canada Limitée
Société en commandite Gaz Métropolitain
Stratégies énergétiques
Syndicat des producteurs en serre du Québec
Ultramar Ltée
Union des consommateurs
Union des producteurs agricoles
Union pour le développement durable

The Régie's estimated financial results for the fiscal year ended March 31, 2002 are as follows:

Opening accumulated surplus	$ 126,417
Revenues	$8,765,648
Expenses	$7,913,091
Ending accumulated surplus	$ 978,974

Revenues for the fiscal year ended March 31, 2003 consist primarily of the duties paid by Hydro-Québec and distributors of electricity, natural gas and petroleum products, in accordance with section 102 of the *Act respecting the Régie de l'énergie*. Pursuant to section 107 of the Act, any amount by which revenues exceed expenditures in a fiscal year is carried over to the subsequent annual budget, reducing the duties payable during the following fiscal year. The projected accumulated surplus for 2002-2003 will be taken into account in calculating the duties payable in 2003-2004.

In accordance with section 106 of the Act and Order-in-Council 73-98 (effective January 21, 1998), the Régie's budget forecasts for fiscal 2002-2003 were submitted to the Government on January 31, 2002 and approved by Order-in-Council 933-2002 of August 21, 2002.

	Régie expenditures[1]	Expenditures per gigajoule[2]	Expenditures per consumer[3]
	$7,913,091	$0.0065	$1.0614
	$7,585,800	$0.0064	$1.0237
	$7,347,882	$0.0060	$0.9960
	$6,766,764	$0.0057	$0.9207
	$6,676,865	$0.0057	$0.9117

1. Estimated expenses for 2002-2003, audited expenses for previous periods.
2. Expenses distributed among electricity, natural gas, gasoline and diesel fuel consumption in Québec.
3. Expenses distributed among the population of Québec.

FOR MORE INFORMATION ON THE RÉGIE, ITS PEOPLE, ITS ACCOMPLISHMENTS AND UPCOMING CASES, SEE THE INTERACTIVE ANNUAL REPORT ON THE RÉGIE WEB SITE.

FULL INFORMATION ON THE CASES CURRENTLY BEFORE THE RÉGIE IS ALSO POSTED ON THE WEB SITE. OUR SITE HAS THEREFORE BECOME AN INDISPENSABLE REFERENCE FOR ANYONE INTERESTED IN ENERGY ISSUES.

www.regie-energie.qc.ca

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Régie de l'énergie
Québec